FILE COPY

FILED

JAN 17 19

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1934.

No. 519.

WILLIAM A. S. DOUGLAS and THE AMERICAN MERCURY, INC.,
Petitioners,

v.

ELIJAH WILLIAM CUNNINGHAM and POST PUBLISHING COMPANY,
Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT.

BRIEF FOR RESPONDENTS.

EDMUND A. WHITMAN,
for Repondents.

L. H. LANE, Law Printer, 221 High Street, Boston.

INDEX OF HEADINGS.

	Page
Statement of the Case	1
Contentions of the Parties	4
Argument	5
History of Section 25	5
Interpretations by the Courts	10
The Circuit Courts of Appeal	11
The District Courts	17
Innocent Infringement	18
The Copyright Proprietor Alone is Entitled to Damages,	18
Sound Discretion	19
Counsel Fees	20
Conclusion	21

INDEX OF CASES.

Altman v. New Haven Union, 254 Fed. Rep. 113	17
Bolles v. Outing Company, 175 U. S. 262	6
Brady v. Daly, 175 U. S. 148	6
Buck v. Duncan, 32 Fed. Rep. (2d) 366	20
Buck v. Milam, 32 Fed. Rep. (2d) 622	20
Campbell v. Wireback, 269 Fed. Rep. 372	15
Com. v. Murphy, 282 Mass. at 598	19
Fisher v. Dillingham, 298 Fed. Rep. 145	17
General Drafting Co. v. Andrews, 37 Fed. Rep. (2d) 54	16
Gross v. Van Dyck Gravure Co., 230 Fed. 412	11
Hendricks Co. v. Thomas Pub. Co , 242 Fed. Rep. 37	11, 20
Insurance Press Co. v. Ford, 255 Fed Rep. 896	16
Jewell-La Salle Co. v. Buck, 283 U. S. at 207	10
Langnes v. Green, 282 U. S. at 541	19
Leo Feist v. American Co., 253 Fed. Rep. 860	20
Lewys v. O'Neil, 49 Fed. Rep. (2d) 603	20

Page

Mail & Express Co. v. Life Co., 192 Fed. Rep. at 901 . 11
Marks v. Feist, 8 Fed. Rep. (2d) 460 20
M. Witmark & Sons Co. v. Pastime Amusement Co., 298 Fed. Rep. 470 . . . . . 13, 20
Newton v. Consolidated Gas Co., 259 U. S. 101 . . 19
No-Leak-O Piston Ring Co. v. Norris, 277 Fed. Rep. 951 . 16
Sauer v. Detroit Times, 247 Fed. Rep. 687 . . . 18
Turner & Dahnken et al. v. Crowley, 252 Fed. Rep. 749 . 14
Waterson etc. Co. v. Tollefson, 253 Fed. Rep. 859 . . 17
Westermann Co. v. Dispatch Co., 249 U. S. at 106 . . 10, 15
Witmark v. Calloway, 22 Fed. Rep. (2d) at 415 . . 20

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM. 1934.

No. 519.

WILLIAM A. S. DOUGLAS AND THE AMERICAN MERCURY, INC., PETITIONERS,

v.

ELIJAH WILLIAM CUNNINGHAM AND POST PUBLISHING COMPANY, RESPONDENTS.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT.

BRIEF FOR RESPONDENTS.

STATEMENT OF THE CASE.

This is a suit under the Copyright Act and involves only an interpretation of Section 25 thereof relating to the assessment of damages where no damage appeared. The bill recites that the appellant Douglas wrote a story entitled "Ku Klux" and sold it to the American Mercury which published it in its issue for March, 1928, and duly entered the magazine in the copyright office in Washington, and at once made an assignment of the copyright on the story to Douglas.

Douglas filed this bill August 2, 1932, alleging that the respondents had infringed his copyright by its publication on August 30, 1931—a year before.

In paragraph 9 of the bill (Rec. p. 8) Douglas sets out the damages claimed as follows:

(1) He had caused his story to be adapted for the stage.

(2) He had been offered large sums for the motion picture rights.

(3) He had been offered publication of his story in a book of short stories when he had written others.

In paragraph 9 of the answers the respondents moved that the bill be dismissed as to this paragraph in the bill. See also paragraph 11. This motion was coupled with a motion to dismiss the bill on the ground that the plaintiff had no standing in Court (April 4, 1933, Rec. p. 3). This latter motion was granted after hearing (Rec. pp. 12–13) and Douglas filed an amended bill joining the American Mercury as a party plaintiff (Rec. p. 5).

The case came on to be heard in the District Court and the respondents renewed their motion to dismiss the bill as to paragraphs 9 and 11 whereupon the Court said:

> "Well, I will leave it in, Mr. Whitman, but I do not think you can possibly show any damage under it. Your motion is denied."

The defendants admitted the validity of the copyright and its infringement and the plaintiffs presented their evidence.

The plaintiff Douglas' testimony as to the damages claimed by him followed closely the allegations in the bill, adding that

> "a few months after the story had appeared (March, 1928) he had been offered $1,500 for the motion picture rights, which offer was not accepted and that he had paid $450 to the person who adapted the play for the stage in November or December of the same year" (Rec. pp. 16–17 and 23).

There was no other evidence as to damages—none even suggested after December, 1928.

> "In response to a question by the court counsel for the plaintiff admitted that the defendant corporation had acted innocently" (Rec. p. 17).

It was agreed that of the issue of the newspaper in question there were 384,831 copies, a number substantially in excess on the two following Sundays (Rec. p. 18).

During the argument the Court inquired whether counsel for the plaintiff "claimed *there were any damages* here, that he had *shown* any damages", to which counsel replied:

> "I do not think we show any damages" (Rec. p. 18).

At the conclusion of the arguments the Court inquired of counsel for the respondents:

> "You wish to suspend on the question of law?
> Mr. WHITMAN. I would, your Honor",

whereupon the Court said:

> "Mr. Clerk, you may make the entry, '$5,000 plus $1,500 attorney's fee, to be suspended on the question of law to be argued later by the parties'.
>
> Here your Post puts in as a matter of news something which it ought to know was not news, puts it on the front page of a paper which has 300,000 subscribers or buyers, and the plaintiff has shown that he refused $1,500. It is perfectly clear to me that the infringement was more than the statutory sum of $5,000. Therefore, I order the $5,000 and a $1,500 attorney's fee, plus costs, subject to the argument whether as a matter of law I have the right to award that full amount, or whether it must be shaded down or entirely cut down or entirely refused" (Rec. p. 19).

It is obvious from an inspection of the exhibit printed by the petitioner (Rec. p. 46) that the infringing story does not purport to be news, that only a small portion was on the front page and the circulation on subsequent Sundays indicates that this story did not benefit the Post by any increase of circulation. The Post's publication could inflict no possible injury on the motion picture or dramatic rights. No other short stories have been written for the proposed book. Douglas is, in effect, seeking damages for injured feelings.

After the death of Judge Lowell, who heard the evidence, the case was submitted to Judge Brewster on the record and the brief

filed by counsel for the respondent. His memorandum ordering a decree in accordance with the oral statement of Judge Lowell is found on page 13 of the record. The essential feature of this memorandum is the statement by the Judge:

> "Clearly I cannot pass judgment upon the justice of an award made by another judge of this Court. Any party aggrieved by Judge Lowell's action has his remedy by appeal" (Rec. p. 14).

Whereupon the respondents appealed to the Circuit Court of Appeals and, from its decree reversing the decree of the District Court (Rec. p. 39), the case is now before this Court.

CONTENTIONS OF THE PARTIES.

The respondents contend

(1) That there never was a considered exercise of discretion by Judge Lowell. This order was "suspended" and he left it open as to his award "whether it must be shaded down or entirely cut down or entirely refused" (Rec. p. 19). It is not at all clear what the Judge had in mind by his phrase "entirely cut down", except as it shows the lack of familiarity with the interpretation of § 25 by the Court.

(2) Such discretion as was shown is clearly an abuse of the *sound* discretion to be exercised by the Court.

The appellants apparently base their contention on the minority opinion of Judge Bingham in the Circuit Court of Appeals, to wit:—

> "If the sum of $250, which the statute prescribes shall be awarded for an infringement consisting of the making of a single copy, is just within the meaning of Section 25 (b), then, on proof showing the making of additional infringing copies up to 5,000 or more, an award of $5,000, as fixed by the statute, is *likewise to be regarded as just* within its meaning."

In other words, that within the statutory limits the discretion of the judge as to what is *just* is absolute and not subject to review.

ARGUMENT.

HISTORY OF SECTION 25.

Prior to the revision of the copyright law in 1909 there had been three distinct forms of remedy to the proprietor of a copyright for infringement of different classes of works of an author. The infringer:—

(1) In case of a book, to "*pay such damages* as may be recovered in a civil action". (Rev. Stats. § 4964.)

(2) In case of map, musical composition, print, etc. "to *forfeit* one dollar for every sheet of the same found in his possession, and in case of a painting etc. ten dollars for every copy; *one half to the proprietor and the other half to the use of the United States*". (Rev. Stats. § 4965.)

(3) In case of public performance of a dramatic composition "damages in all cases to be assessed at such sum, not less than one hundred dollars for the first and fifty dollars for every subsequent performance, *as to the Court shall appear just*". (Rev. Stats. § 4966.)

These three classes originated at different times. As to No. 1, see Act of July 8, 1810. As to No. 2, Act of April 29, 1802. As to No. 3, Act of August 18, 1856.

Congress was a long time getting away from the penalty idea. The earliest copyright act in England (8 Anne c. 19) provided a penalty only and it was not until 1842 (5 & 6 Vict. c. 45) that penalties in England were finally abolished.

Owing to the activities of Noah Webster the colonies passed copyright acts. Maryland, North and South Carolina, Massachusetts, New Hampshire and Rhode Island, Connecticut, New Jersey, Pennsylvania, Georgia, New York and Virginia imposed forfeitures in one form or another.

The first act of Congress (May 31, 1790) for maps, charts and books imposed a forfeiture of fifty cents a sheet, one-half to the proprietor and one-half to the United States. In 1802 (Act of

April 29) the penalty was increased to a dollar a copy, as applied to prints, engravings, etc.

It was not until 1856 (Act of August 18) that protection was extended to dramatic compositions and here for the first time appeared the provision for such recovery as *shall appear to be just* with a maximum and minimum.

In the Act of 1870 (July 8) to revise the copyright law, Section 99 modified the provision as to books by giving such damages as may be recovered in a civil action, thus abandoning in the case of books the penalty idea, but in section 100 and 101 provisions as to all other compositions were retained and all three were continued without change in the Revised Statutes (1873, Dec. 1) as amended by the Act of March 3, 1891.

All the acts above referred to may be conveniently found together in Copyright Bulletin No. 3.

It is not surprising that this condition of the law was unsatisfactory both to authors and publishers and, as appears from the reports of the House and Senate committees and the extensive hearings prior to the same, all of which are referred to in the footnotes to the Jewell-La Salle case, much time and study was expended by many persons and organizations in drafting a revision of the law which would protect all. They felt that so far as the existing act had been subject to interpretation by this Court, it would be unwise to make substantial changes in phraseology that had been passed on. They noted the strict construction of the penalty clauses in *Bolles* v. *Outing Company*, 175 U. S. 262, and the liberal construction of the dramatic section in *Brady* v. *Daly*, 175 U. S. 148, and the problem was how to compensate properly an injured author without creating a forfeiture difficult of enforcement, for it was evident that, if the legislature imposed a penalty, no language of the act could prevent the Court from treating it as such.

This section (25) received full consideration by the committees of the Senate and House sitting jointly. Mr. Ansley Wilcox proposed a modification of the language so as to read:

"On in lieu of such damages and profits the plaintiff may elect to claim and thereupon to recover *as liquidated damages and not as a penalty* an amount to be assessed as hereinafter stated, etc."

Mr. Wilcox expressed at some length his inability to understand the section as drafted; Copyright Hearings December 7–11, 1906, pp. 144, 145.

Later in the hearings the committee listened to Mr. Arthur Steuart, an experienced copyright lawyer, doubtless well known to this Court, who was present in behalf of the American Bar Association and for whose opinion the House chairman expressed "great respect". (1908, p. 359.) His remarks are so illuminating that we quote them somewhat *in extenso*. He said, p. 174 of the hearings:

"We come now to the very important provision, section 23, which relates to remedies. This clause is one of very great difficulty. It relates to the civil remedies only. When this clause was first considered we were confronted with precedents of the patent law and the trade-mark law and the copyright law with reference to drama and music, and an attempt was made to put into this clause all of the remedies of the existing law and all of the remedies which have already been enacted by Congress with reference to patents, as well as trade-marks."

". . . I have not the text of Mr. Wilcox's suggestion before me, but as I remember hearing it, it appears to me to be admirably phrased to accomplish exactly the same result which is intended by the language which is used in the bill as it is presented. The language which is here used is not altogether the best which might be chosen, but it has been chosen for the reason that it repeats the language of the existing copyright act, and it was thought better to adhere to that language which has been construed by the Supreme Court and given a meaning which is a meaning we desire to follow in this act, than to change it even in the hope of making it clearer. The language of the section, 'In lieu of actual damages and profits, such damages as to the court shall appear just', would appear

to put into the court the absolute right where it was an equity case, to decide what should be allowed in the way of liquidated damages, subject of course to the limitations that it must not be less than $250 nor more than $5,000; and that the amount which the court should determine should be decided by a computation of so much per copy according to the number of copies found. Section 4966. Revised Statutes, the dramatic act, provides:

Such damages in all cases to be assessed at such sum, not less than $100 for the first, and $50 for every subsequent performance, as to the court shall appear to be just.

Now, the danger in drawing a clause of this kind is that it may be construed to be penal in its character, and therefore an interpretation may be applied to it which will be exceedingly strict and rigid, and which will be objectionable for the purpose for which we desire it. We want to make it so that it will not be penal, so that it will only be liquidated damages, so that we can recover on the evidence what the court may decide to be proper, and this langauge, 'as to the court shall appear to be just', coupled with a certain amount for each performance has been construed by the Supreme Court of the United States in the case of *Brady* v. *Daly* (175 U. S., 151), and it has been held that that language is not penal, that that is liquidated damages, and that that is a proper mode of expression to get liquidated damages into a statute. Now, in order to save ourselves from making any possible mistake in the matter, we have, at possible risk of being a little ambiguous, used the very words of the old statute as they have been construed by the Supreme Court, in order that we might be sure that under no subsequent construction would that language be held to be penal rather than liquidated damages."

". . . It does seem to me very desirable that in this section in which we are trying to preserve the discretion of the court, the independent judgment of the court, we are trying to give to the court the power to assess liquidated damages, which will not be penal and will not be fixed. The court ought to have

absolute discretion as to how much will be allowed as liquidated damages in order that we may avoid all possible danger of creating a penal provision for the punishment of this kind of infringement. It seems to me that the words as they are used in the dramatic section, 'such damages as to the court shall appear just', will certainly preserve the discretion of the court and give to the court the entire control over the whole question in a way that will avoid any possible danger of the act being construed to be penal. Whereas I think there is a possible doubt that even with the words in the section as proposed by Mr. Wilcox, that it shall not be regarded as a penalty—even with that language in the act, if the court should find, after construing it, that the act was penal, that the act did as a matter of fact provide for a penalty or as a matter of fact contain all the requirements and definitions of a penalty except in that one particular, it becomes a very serious question as to whether Congress could change a penalty into liquidated damages by merely calling it by another name."

The provision in the bill then before the committee in Section 23 (b) (1906, p. IX) for "in lieu of actual damages and profits" was "Such damages as to the Court shall appear just, *to be assessed upon the following basis*", and, after the maximum and minimum figures, the four schedules now in Section 25.

Commenting on the italicized words, Mr. Wilcox said (p. 145) :

"I do not know precisely what the gentleman who put the language in there meant by it 'to be assessed upon the following basis'. . . . Now frankly I do not know after considerable study that I have given to the bill just how that system would work out."

This criticism evidently impressed the committee as after these hearings were closed, "both the House and Senate Committee on Patents continued to consider the matter, but separately" with the result that each committee reported a bill, the two bills being substantially alike except for the clause relating to mechanical repro-

duction of music. (Report of Hearings, 1908, p. 313.) Later two other bills were presented.

The clause now under consideration received "a long series of discussions", principally on the amount of the minimum figure (1908, p. 20, statement of George Haven Putnam) with the result of a unanimous agreement on a redraft of the words criticised by Mr. Wilcox so as to read "and in assessing such damages the Court may in its discretion allow the amounts hereinafter stated" which with the addition of the word "as" before "hereinafter" is the wording of Section 25 as enacted. (1908, pp. 89–90, § 27.)

The bills as finally agreed upon were rushed through on the last day of the session with no debate other than a vigorous protest against unseemly haste. (Cong. Record, Vol. 43, Pt. 1, pp. 3747 and 3765.)

INTERPRETATIONS BY THE COURTS.

We now come to the interpretation and administration of this section (25) by the Courts.

We need hardly refer this Court to its language in *Westermann Co.* v. *Dispatch Co.*, 249 U. S. at p. 106:

> "the court's conception of what is just in the particular case, considering the nature of the copyright, the circumstances of the infringement and the like",

and the statement in *Jewell-La Salle Co.* v. *Buck*, 283 U. S. at p. 207, that

> "the amounts in the scheduled subdivisions appear to have been inserted merely as an aid to the court in awarding such damages as 'shall appear to be just'. The definite specification of a maximum and minimum in every case is not contradicted in any way by these legislative suggestions as to what may be deemed reasonable allowances in cases falling within the prescribed limitations,". . . and where "there is no showing as to actual loss, the Court must allow the statutory minimum, and may, in its *sound* discretion, employ the scheduled ten dollars a performance as a basis for assessing additional damages."

In applying the language of the opinions in these two cases it is to be noted that in the Westermann case the record showed that the plaintiff had suffered real damage (249 U. S. p. 103) and while in the Jewell-LaSalle Co. case the opinion does not show whether there was damage or not, the questions certified by the Circuit Court of Appeals merely stated that there was "no proof of actual damage"; which was quite a different thing from presenting the circumstances of the case to the Court for its opinion.

In the certificate by the Appellate Court, however, it appears that the

> "renditions and performances were public and were made available to the public and were for the purposes of profit both for said defendants and for others using the station"

but "There was no *proof* of actual damage". See certificate of the Appellate Court, pages 4, 6 and 8 in the printed record.

In the Westermann opinion no stress is laid on the four schedules in § 25 and there is no reference to the fact that the respondents' paper had a circulation of 30,000 copies.

THE CIRCUIT COURTS OF APPEAL.

The various Circuit Courts of Appeals have had occasion to construe this section.

In *Hendricks Co.* v. *Thomas Pub. Co.*, 242 Fed. Rep. 37, the Court after remarking

> "That the language of the section (25) of the copyright act relating to the assessment of damages and profits is 'somewhat obscure' we have pointed out before" (*Mail & Express Co.* v. *Life Co.*, 192 Fed. Rep. at p. 901)

goes on to say of the words now under present consideration:

> "In *Gross* v. *Van Dyck Gravure Co.*, 230 Fed. 412, 144, C. C. A. 554, Hand, J., in the trial court held that the duty was by this statute laid upon the court to 'estimate damages' in place of the 'old penalties, . . . but to estimate them within the sums given, without the limitations of usual legal proof.

The whole course of copyright law shows a recognition of the difficulty of making legal proof of damages and in substituting for rigid penalties the discretionary power of the court, we must assume that a plaintiff should not fail for lack of proof'. On appeal from that construction of the statute, this court approved the method pursued. . . .

"As is well known the language of this section is a growth of years, resulting from the efforts of Congress to avoid that strictness of construction which historically attaches to any statute inflicting penalties, and to confer upon an injured copyright owner some pecuniary solace, even when the rules of law render it difficult if not impossible (as it often is) to prove such damages or discover profits."

"There may be circumstances under which discretion revolts from any award, by reason of the trivial nature of the thing copyrighted, or the slight success of attempted infringement; but the facts of this case present no such problem. That keeping plaintiff out of a possible market for 2,800 copies of its own publication, by the issuance of a book competitive in every sense of the word, works some considerable injury, is a matter too plain to require more than statement. That assessment of damages or ascertainment of profits under the facts hereinabove recited would be not only difficult but expensive is similarly obvious. We entertain no doubt that it was the intention of Congress (1) to preserve the right of a plaintiff to pursue damages and profits by the historic methods of equity if he chooses so to do; and (2) to give the new right of application to the court for such damages as shall 'appear to be just', in lieu of actual damages.

These words present no difficulty in interpretation. 'Actual' means 'real', as opposed to 'nominal'. It means 'existent', without precluding the thought of change. 'In lieu' means in place of the thing modified by the quoted phrase. (Cases cited.) Therefore what plaintiff is entitled to ask of the court in its discretion is something in the place of his real—*i. e.*, legally existent and legally ascertained—damages. If it had appeared

that, instead of distributing 2,800 copies, defendant had issued but one, the technical infringement would still have existed, and the question been presented whether plaintiff must have $250 for nothing. Such a case has never been before us, and in the present cause experience informs the court that $250 would not and could not compensate plaintiff for a damage obvious, but difficult of exact admeasurement. It covers the matter in hand to repeat what he held in the *Mail & Express Case, supra,* that, where *obvious and substantial pecuniary injury has been wrought,* $250 is the minimum award, and to approve the above-quoted language of Hand, J., that the intent of the statute (under circumstances such as the present) was to authorize the court to estimate the damages within the statutory limits, without being bound to, or by, legal proof."

In *Witmark & Sons* v. *Pastime Amusement Co.,* 298 Fed. Rep. 470, Judge Cochran in the District Court remarked:

"From a casual reading of this section, it would seem that the case of a musical composition being apparently specifically provided for in the 'fourth' paragraph, the case would be governed by that paragraph, which provides $10 for each performance, and that resort could not be had to the general clause in subdivision (b), providing $250 as the minimum, and at first I was very firmly of opinion that this was the proper construction. But a careful study of the act in the light of the decision of the Supreme Court in *Westermann Co.* v. *Dispatch Co.,* 249 U. S. 100, 39 Sup. Ct. 194, 63 L. Ed. 499, convinced me that such is not the proper construction. . . .

Now, what did the court refer to when it said 'the court *may, in its discretion,* allow the amounts named in the *appended schedule*'? (Italics mine.) It is clear that by the 'appended schedule' the court meant the 'first', 'second', 'third', and 'fourth' paragraphs of section 25. When the statute is carefully studied in the light of this decision and the decision of the Circuit Court of Appeals in the same case *(233 Fed. 609,*

147 C. C. A. 417), the conclusion is irresistible that the proper construction of the section is that paragraphs 'first', 'second', 'third', and 'fourth' *may be resorted to* by the court in cases to which these paragraphs respectively apply in assessing such damages as may appear just, but the court must in all cases assess such damages at not less than $250 nor more than $5,000, except where other specific provision is made in subdivision (b) itself."

The decree was affirmed on appeal on the opinion of the court below, 2 Fed. Rep. (2nd) 1020.

In *Turner & Dahnken et al.* v. *Crowley*, 252 Fed. Rep. 749 at 754, the court said:

"Appellee offered no proof of actual loss or of profits, but we gather from the testimony that at a retail price of 15 cents a copy for the song the profit to the plaintiff would not have exceeded 8 cents per copy. If, therefore, the plaintiff had received 8 cents per copy upon 7,000 copies found in the possession of Turner & Dahnken, her total damage would have been $560, which we think would be a fair estimate. Plaintiff said that she expected and authorized orchestrations of her song to be used, but did not authorize use of it as made by defendant. The allowance of $7,000, or $1 per copy of the song and music, seems to have been based upon the view that $1 per copy is a fixed sum, to be allowed under any circumstances of infringement after notice. *But, as we do not so construe the law*, the duty of the court was to award damages as justified by the nature and circumstances of the case as developed upon the trial. Thus, while the discretion of the court may be used to award damages, where no proof of actual damage is offered, yet *the award should have relation to such inferences as are reasonably deducible from the whole case of infringement*, and such damages are not to be awarded as based upon the idea of punishment. *13 Corpus Juris, p. 1179.*"

The Court thereupon reduced the award of the District Court of $7,000 to $560.

In *Campbell* v. *Wireback*, 269 Fed. Rep. 372 at 375, the Court of Appeals said in referring to the opinion in the court below (261 Fed. Rep. 391):

> "In the opinion of the court below all that is said on the question of damages is this:
>
> 'The plaintiffs are entitled to an injunction and to a decree for the statutory $1 for each of the infringing copies found in defendants' possession and for the destruction of such copies.'
>
> This is claimed to show that damages were assessed at $4,000, not in the exercise of discretion, but merely on the basis of the number of catalogues which defendants had printed, and therefore that it is not an award of 'such damages as to the court shall appear to be just', as the statute provides. We do not so construe the award. The language is perhaps a little ambiguous, but the meaning and intent are not uncertain."
>
> Page 376: "We are unable to find any abuse of discretion in making the award under review, and this conclusion is supported by the fact that no counsel fees were allowed, as might have been done. The case is an aggravated one in many ways, and the damages inflicted by the unconscionable conduct of defendants are properly measured, as the quoted decision holds, by 'the court's conception of what is just'."

In the *Westermann* case, the Circuit Court of Appeals said (233 Fed. Rep. 609) at page 613:

> "The necessary effect of the decision is to prohibit the award of merely nominal damages. This intent implies no undue harshness. Not only does the typical copyright infringement, if not every one, involve indirect damages almost sure to be considerable, but in few cases would one sum of $250 more than compensate plaintiff for his time, trouble and expense in

detecting, following up and prosecuting an infringement. It would seem that the words 'shall not be regarded as a penalty' were added out of abundant caution, for under such a situation as usually exists on this subject the awarding of a round sum in damages is no more a penalty when damages are *liquidated by a court* than when they are liquidated by a contract."

This Court did not find it necessary to review this language.

In *No-Leak-O Piston Ring Co.* v. *Norris*, 277 Fed. Rep. 951, the Circuit Court of Appeals in review of the discretion of the Court below (271 Fed. Rep. 536) where that Court awarded $3,000 damages when it appeared that the defendant had circulated from ten to fifteen thousand copies said:

"taking all the circumstances into account (the amount awarded) seems plainly within the limits of sound discretion"

and the Court notices that a stipulation on file showed a circulation of 30,000 copies.

In *General Drafting Co.* v. *Andrews*, 37 Fed. Rep. (2nd) 54, the District Court dismissed the bill and the Court on appeal says:

"The uncontradicted evidence is that 5,000 copies of the infringing cleartype map were sold, but it does not appear and it is not alleged that the plaintiff's business was materially injured. On the entire record, we are of the opinion that an allowance of $2,000 damages will be adequate." Decree reversed.

In *Insurance Press Co.* v. *Ford*, 255 Fed. Rep. 896, where the defendant printed in a booklet of wide circulation an article written by the plaintiff, the Court of Appeals affirmed without opinion the decree of the District Court awarding the minimum penalty of $250, where Judge A. N. Hand said:

"I feel reasonably sure that the complainant has suffered a very small amount of damages, and that the defendant has secured a very trifling advantage by the publication of the article in the automobile trade."

THE DISTRICT COURTS.

The District Court judges have also expressed themselves on the interpretation of these words:

In *Waterson etc. Co.* v. *Tollefson*, 253 Fed. Rep. 859, a music case, the Judge said:

> "The provision for an allowance of 'ten dollars' must be held to apply when a large number of infringements have been shown; this figure may be used by the court as a basis for its computation of the entire damages by assessing each infringement at $10, *if such method of computation under all the circumstances 'shall appear to be just'*."

In *Altman* v. *New Haven Union*, 254 Fed. Rep. 113, Judge Thomas said, where the defendant's newspaper had circulated "many thousand copies" of the infringement:

> "In deciding the amount to be awarded, the court should take into consideration all the facts and circumstances of the case. Here we have an innocent infringement, for which suit was not brought for nearly a year."
>
> "But Congress has seen fit to fix the minimum recovery at $50, below which this Court cannot assess damages, on the theory, presumably, that proof of actual damage would be difficult, if not impossible, but that always some damage would result from such an infringement."
>
> "The law of the case is with the plaintiff, the equities with the defendant, and the equities justify the court in giving every consideration possible to the defendant in deciding upon the amount the plaintiff may recover."

It is to be noted that, in the case at bar, the infringement was innocent and suit was not brought for a year.

In *Fisher* v. *Dillingham*, 298 Fed. Rep. 145, Judge L. Hand said:

> "As for damages, it seems absurd to me to suggest that it has suffered any injury. 'Dardanella' had faded out before 'Kalua' appeared. Except that it raises an interesting ques-

> tion of law, it would be a waste of time for every one concerned." $250 allowed and no counsel fee.

In *Sauer* v. *Detroit Times*, 247 Fed. 687, the defendant's newspaper had reproduced the plaintiff's map in two editions. The Court says:

> "I think under all the circumstances, including the fact that the defendant appears to have acted in good faith, and ceased the infringement . . . it is equitable to consider, and it should be held, that the acts of the defendant constituted an infringement for the purpose of computing damages",

and the Court, in view of the statute, awarded $250 and costs.

We have thus furnished the Court with cases showing the universal trend of judicial interpretation and application of Section 25 and we challenge the appellant to produce any case laying down the doctrine he contends for or any judicial expression other than that of Bingham, J. in this case.

The respondents concede that the trend of judicial opinion in the decided cases is to apply the minimum figure of $250 when no substantial damage is shown and that the proper inference from the Jewell-La Salle case is to apply it when no proof is offered of actual damage.

INNOCENT INFRINGEMENT.

The respondents also concede that innocence is no defense to infringement, but, as shown above, judges have taken it into consideration in fixing damages.

THE COPYRIGHT PROPRIETOR ALONE IS ENTITLED TO DAMAGES.

Section 25 awards such damages to the copyright proprietor as the copyright proprietor may have suffered due to the infringement.

The copyright proprietor in this case is the American Mercury and Douglas is a mere licensee. See opinion of Lowell, J. (Rec. pp. 12–13) and case cited.

There is nothing in the circumstances of the case to indicate that the Mercury has suffered the slightest damage. It did not insti-

tute this suit. It employed no counsel. The award herein belongs to the Mercury and the rights of Douglas, if any, to the award are, in equity, against the Mercury.

SOUND DISCRETION.

The respondents do not contend that, under approximate circumstances, the Court could not award the maximum of $5,000. The contention is that under the circumstances of this case, as shown in the record, the award of $5,000 was not made in the exercise of what Mr. Justice Brandeis in the Jewell-La Salle case (p. 208) terms "its *sound* discretion". It is no answer to say that within the statutory limits there can be no abuse of discretion in awarding statutory damages as the statute itself sets the limits of discretion, as contended by the petitioner in the Court of Appeals. The statute indeed sets the limits, but calls on the Court to exercise a sound discretion within those limits, and that exercise of discretion is always subject to review if it appears on the record to have been abused.

In *Langnes* v. *Green*, 282 U. S. at p. 541, the Court says:

> "The term 'discretion' denotes the absence of a hard and fast rule. When invoked as a guide to judicial action, it means a sound discretion, that is to say, a discretion exercised not arbitrarily or wilfully, but with regard to what is right and equitable under the circumstances and the law, and directed by the reason and conscience of the judge to a just result."

And the Supreme Court of Massachusetts, referring to the exercise of discretion by the trial judge, says:

> "Nevertheless the decision is not absolute. It may be set aside if the Appellate Court is satisfied that justice requires a different decision."
>
> *Com.* v. *Murphy*, 282 Mass. at p. 598.

In *Newton* v. *Consolidated Gas Co.*, 259 U. S. 101, the Supreme Court set aside and revised the amount of compensation awarded to a master appointed by the trial court.

COUNSEL FEES.

The respondents do not understand that the question of counsel fees in the decree is open before this Court. If it is, they contend that the allowance by the Circuit Court of Appeals was excessive on the record and on the interpretation of it by that Court in the opinion limiting the fees to "preparation for the conduct of the case at the trial on the amended bill". (Rec. p. 38.)

The principle upon which counsel fees are awarded in copyright cases is well settled. The latest case is *Lewys* v. *O'Neil*, 49 Fed. Rep. (2nd) 603, where at p. 608 Judge Woolsey says:

> "In determining what is a reasonable fee to an attorney the elements to be considered, among others, are the amount involved, for that measures the attorney's responsibility; the amount of work necessary, the amount of work done, the skill used and the result."

In the *Hendricks* case, 243 Fed. Rep. 37, the Court says:

> "the court can (and always does) proceed upon its own knowledge of the value and extent of the professional services rendered."

See also *Witmark* v. *Pastime Co.*, 298 Fed. Rep. 470 at pp. 482–483.

Leo Feist v. *American Co.*, 253 Fed. Rep. 860.
Witmark v. *Calloway*, 22 Fed. Rep. (2nd) at p. 415.
Buck v. *Duncan*, 32 Fed. Rep. (2nd) 366.
Buck v. *Milam*, 32 Fed. Rep. (2nd) 622.

In *Marks* v. *Feist*, 8 Fed. Rep. (2nd) 460, the Circuit Court of Appeals said:

> "It seems to us, taking all the circumstances in this case into consideration, that the learned district judge in fixing the attorney's fee herein at $1,500 inadvertently committed an error of judgment. We think a fee in that amount was excessive and we feel constrained to reduce it."

If the question is now open, we suggest that the Circuit Court of Appeals was equally "inadvertent", particularly in view of the statement of counsel in reply to the question by the Court as to the exent of his services. (Rec. p. 19.)

CONCLUSION.

In conclusion, we beg to suggest that the idea of Congress as well as of the Courts is to give compensation for injury sustained. Where all the facts are before the Court adequate compensation is a matter of discretion and that discretion is always reviewable where it appears on the record that the sum awarded is not justified by any proper views of the facts. The respondents also petition the Court for a reasonable counsel fee for services before this Court.

Respectfully submitted,

EDMUND A. WHITMAN,

for Respondents.